its rationalization to relate domestic economic policy to international economic policy. On matters of domestic interest rates, for example, the Government posture is to proceed on the basis that the interest rate policy in this country must be set for domestic reasons irrespective of international balance-of-payments considerations. With respect to budgetary policy the same approach is adopted.

F. *An unbalanced program.*—The President's message of January 1 referred to a multifaceted program to deal with the balance-of-payments situation. From an implementation standpoint, the multifaceted program has, for all practical purposes, been discarded and reliance has been placed on controls, and in this respect controls primarily on private investment abroad. This is not a balanced program. It is not a program sound in its long-range implications. It even has strong disadvantages for the short run. And it would seem to reflect a preoccupation with control for control's sake.

G. *Bias against private investment abroad.*—Aside from the clear drift toward controls over private decisionmaking affecting private investment abroad, we are concerned that there is present in Government, at least to some degree, a tendency to frown upon private investment abroad, to punish it in some respects, and to attempt to direct, influence or control it for a variety of reasons. As we look back over the last several years, we believe that the record evidences these tendencies. For example, there is the attempt to control private investment abroad because of our policy with reference to developing countries. This involves a desire to direct private foreign investment into the developing areas and away from the developed countries, an objective which unfortunately not only is unrelated to balance of payments but is in conflict with balance-of-payments objectives because of the much greater ability of developed countries to produce a prompt and significant payback from investment therein. As previously suggested, the Revenue Act of 1962 is in some respects a control device with respect to private investment abroad. There have been statements made by Government officials to the effect that business has not done a good job in making its private investment decisions with respect to foreign countries, particularly in Western Europe in the last few years. This suggests that Government may undertake to second-guess decisions on matters as to which business is more experienced than Government; namely, where and why and how to invest their resources abroad.

Beyond this retrospective audit tendency, Government policymakers have said on occasion that private investment abroad has been overdone. Such a statement, referring, specifically to the early sixties, was included in the 1967 Economic Report of the Council of Economic Advisers and quoted with approval by the "Blue Book" [1] of the Treasury just published. There undoubtedly is in the minds of some a conflict in reference to allocation of U.S. resources between domestic investment and foreign investment, be-

[1] "Maintaining the Strength of the U.S. Dollar in a Strong Free World Economy," U.S. Treasury Department, January 1968.